

Opening Statement
The Honorable Doug Bereuter
Chairman
Subcommittee on International Monetary Policy and Trade
Export-Import Bank Reauthorization
May 8, 2001

Good afternoon. The Subcommittee on International Monetary Policy and Trade meets today in open session to receive testimony on the reauthorization of the Export-Import Bank (Ex-Im Bank). The Ex-Im Bank was last reauthorized in 1997 for a four-year term that expires on September 30, 2001. At this hearing, the Subcommittee will hear from a representative of a large corporation and a small business which use the Ex-Im Bank as well as organizations who have different opinions on the Ex-Im Bank's programs

This is the Subcommittee's second hearing on the Ex-Im Bank. On May 2nd, the Subcommittee heard from an experienced panel of professional staff from the Export-Import Bank. In addition to giving their testimony, the Ex-Im Bank submitted a legislative proposal, which would reauthorize the Ex-Im Bank for four years until 2005. I look forward to receiving the panel's views on this proposed legislation.

Before introducing our outstanding panel, I am going to briefly stress the following items which were discussed in the first hearing on the Ex-Im Bank: proposed cuts, possible net income, small business activities, investment in Africa, and types of subsidies offered by export financing agencies including the U.S. tied aid war-chest. I would like the witnesses today to address these issues, among others.

First, on May 2nd, the Ex-Im Bank testified regarding the proposed reduction in funding for FY2002. The Administration requested \$633 million to fund its program budget which administers the Ex-Im Bank loan, insurance, and guarantee programs. This is approximately a 25% cut from the FY2001 enacted level of \$633 million. To accommodate this possible cut, the Ex-Im Bank testified that they may have to increase fees, reduce the percentage of loans, guarantees, and insurance that they finance, and/or limit their amount of higher risk transactions.

I do have significant concerns about the Administration's proposed cut to the program budget of the Ex-Im Bank as it could likely result in fewer U.S. exports. In light of the slowdown in the U.S. economy, this proposed Ex-Im Bank reduction comes at a particularly bad time for American businesses.

Furthermore, the Ex-Im Bank also testified that they need additional funding for upgrading their technology. As a result, the Administration proposed \$65 million for FY2002 for the Ex-Im Bank administrative budget, which is an increase of \$3 million from the prior year.

Second, at the May 2nd hearing, some questions were asked regarding possible net income for the Ex-Im Bank. According to the 2000 Annual Report from the Ex-Im Bank, they had a net income for FY2000 of \$345.8 million. Moreover, for FY1999, the Ex-Im Bank had a net income of \$214.4 million. This net income is given to the U.S. Treasury rather than being used by the Ex-Im Bank in its next fiscal year.

Third, with respect to small businesses, the 1997 authorization law mandated that the Export-Import Bank make additional efforts to enhance its programs to small and rural companies. When the Ex-Im Bank testified on May 2nd, they explained how they continue to meet this mandate. Today, our small business witness will testify as to the efforts of the Ex-Im Bank in this regard. In addition, I would like any data that the witnesses can provide on the number of small business suppliers that work with corporations which use the products offered by the Export-Import Bank.

Next, the 1997 authorization bill required an increase in the Export-Import Bank's financial commitments in Sub-Saharan Africa. Moreover, in this mandate, Congress also required the Ex-Im Bank to establish a Sub-Saharan Africa Advisory Committee.

On May 2nd, the Ex-Im Bank testified that they have dramatically increased their support for U.S. exports to Sub-Saharan Africa since this mandate. Moreover, the Ex-Im Bank pointed out that the authorization for the Sub-Saharan Africa Advisory Committee will expire this year. As a result, the Ex-Im Bank has requested a four-year extension for this Advisory Committee.

Lastly, the Ex-Im Bank also testified as to the type of subsidies offered by government export financing agencies including the tied aid war-chest of the U.S. In particular, I am interested in any of the panel's thoughts on these different types of export subsidies. Examples of these export subsidies include, among others, market windows and untied aid. Market windows are state sponsored institutions that conduct themselves as both a government lender and a private bank. Canada and Germany both have these market windows which have advantages over both private banks and government export financing agencies.

Another example is untied aid, which is utilized in particular by Japan. It is bilateral aid given to a developing country with no requirement per se that the recipient country buy goods from the donor country. However, in actuality, the recipient still feels compelled to buy the products from the donor country.

Unfortunately, untied aid is not covered by the Organization for Economic Cooperation and Development (OECD) Arrangement, of which the U.S. is a member. The OECD Arrangement conducts negotiations and reaches agreements between countries with the intent to reduce government export financing programs. For example, the OECD Arrangement covers tied aid. Tied aid is a direct export credit where the recipient country is required to buy products from the donor country.

With respect to tied aid, there is a war-chest which can be used by the U.S. to match tied aid offers by other countries. This war-chest, which is administered by the Department of Treasury, has not been used since 1998. I have concerns with the apparent veto power of the U.S. Treasury over the use of the tied aid war-chest.

To assist the Subcommittee in examining these reauthorization issues, I am pleased that we have the opportunity to hear from our distinguished panel of private sector witnesses with diverse views on the Ex-Im Bank. First, we will receive testimony from Mr. Richard Christman, the President of Case IH Agricultural Business. Case IH is one of the brands for CaseNewHolland agricultural products. CaseNewHolland, which uses the Ex-Im Bank, is the number one manufacturer of agricultural tractors and combines in the world, and the third largest maker of construction equipment. Mr. Christman has been with the company since 1975 in a variety of capacities.

Next, Mr. Ian McLaughlin, the Chairman and CEO of Watson Machinery International based in Paterson, New Jersey, will testify. Mr. McLaughlin will bring the perspective of a small business owner who uses the Ex-Im Bank. Watson Machinery supplies high performance machinery and production systems for the wire, cable, fiber optic and wireless industries. Mr. McLaughlin has been the CEO of Watson Machinery since 1989. In addition to this, he has been a member of the Ex-Im Bank Advisory Committee since 1998.

Our third panelist is Dr. Fred Bergsten, the Director of the Institute for International Economics (IIE) since its creation in 1981. Among his many past positions, he was the Assistant Secretary of the Treasury for International Affairs from 1977-1981. Dr. Bergsten received his Masters and Ph.D. degrees from the Fletcher School of Law and Diplomacy. It should be noted that in January of 2001, the IIE published a very comprehensive book entitled, "The Ex-Im Bank in 21st Century. A New Approach?"

Next, Mr. Ian Vasquez, the Director of CATO's Institute Project on Global Economic Liberty, will testify. His writings have appeared in newspapers throughout the United States and Latin America. He received his Bachelor's degree from Northwestern University and his Master's degree from the School of Advanced International Studies at Johns Hopkins University.

Subsequently, Dr. Brent Blackwelder, the President of the Friends of the Earth, will testify. He was the founder of the Environmental Policy Institute, which merged with the Friends of the Earth and the Oceanic Society in 1989. Dr. Blackwelder has received degrees from Duke, Yale, and the University of Maryland.

The final witness is Mr. George Becker, the former President of the United Steelworkers of America. Mr. Becker, who has recently retired as President, was first elected to this position in November of 1993. Mr. Becker, a second-generation steelworker, is a native of Granite City, Illinois

We welcome the distinguished panel to our hearing. And, without objection, your written statements will be included in their entirety in the Record. Thank you.